

DEFERRED COMPENSATION PLAN

Supplemental Benefit

WINTER 2020

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DEFERRED COMPENSATION PLAN - SUPPLEMENTAL BENEFIT

DEFERRED COMPENSATION PLAN NEWS

Learn about your investment options

Your deferred comp plan offers a wide variety of low-cost investment options for you to choose from depending on your needs and goals.

Target date funds

Target date funds are professionally managed and well-diversified, with the goal of growing assets over a period of time — in this case, by your target retirement date. The assets in a target date fund will automatically shift to incur less risk as the target retirement date approaches; however, the principal value of the fund is never guaranteed.

U.S. large company stock index fund and U.S. small/mid company stock index fund

These funds provide you with exposure to the U.S. stock markets. These funds may be most appropriate if you are looking for greater potential returns and willing to accept a higher degree of risk.

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Avoiding quarterly statement shock

Reviewing your quarterly electronic deferred comp account statement could be a nerve-rattling exercise in 2020. Stock markets have undergone some dramatic swings, and logging in to check your account balance following one of the year's downturns isn't for the faint of heart. So, how can you avoid letting a volatile stock market get the best of your plans for a brighter retirement?

- **Take the long view** – Saving for retirement is a long-term endeavor. Short-term volatility may lead to drops in your account balance, but if your retirement is still years or decades away, you have time to recover and continue to build the resources you'll need for future retirement income.
- **Think before you abandon your long-term strategy** – Between January and March 2020, the Standard & Poor's 500® Index lost 20% of its value.¹ As of the middle of July, the same index was up 0.65% year to date.² If you had moved your assets out of stock funds and into lower-risk investments following the dramatic drops in the market, you would have missed out on the recovery. Past performance is not a guarantee of future results.

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Learn about your investment options (continued)

Global non-U.S. stock index fund

This fund provides you with exposure to the international stock markets. This fund may be most appropriate if you are looking for greater potential returns and willing to accept a higher degree of risk.

U.S. bond index fund

This fund provides you with exposure to the U.S. bond markets. This fund may be most appropriate if you are seeking greater potential income than with a money market or stable value investment and willing to accept a higher degree of risk. Bond prices generally fall when interest rates rise (and vice versa) and are subject to risks, including changes in credit quality, market valuations, inflation, liquidity and default. High-yield bonds have a greater risk of default.

Stable value fund

This fund provides you with exposure to a blend of high-quality bonds. This fund may be most appropriate if you are seeking preservation of principal (the amount you invest) and a stable yield (the income of your investment) consistent with that of a high-quality blend of bonds.

Short-term investment fund (*money market fund*)

This fund provides you with exposure to short-term cash-equivalent investments. This fund may be most appropriate if you are seeking to safeguard the principal value of your investments.

Self-directed brokerage accounts

The brokerage accounts, offered through Charles Schwab & Co., Inc., provide you with access to thousands of mutual funds and exchange-traded funds (ETFs). These options are for knowledgeable investors who acknowledge and understand the risks associated with many of the investment choices. Additional fees apply.

Update investment options

You can change your current and future investments at any time by **signing into your deferred compensation account** at www.SERS.pa.gov. If you have any questions about your investment options, you can reach a deferred compensation specialist at www.SERSDeferredComp@pa.gov and **1.800.633.5461, option 1**.

Avoiding quarterly statement shock (continued)

- **Don't stop contributing** – It may be tempting to stop contributing to your account during periods of market volatility, but remember that when share prices drop, your contribution may be purchasing more shares of your chosen funds than in times of strong market performance.
- **Consider rebalancing**³ – Because different asset types — such as stocks, bonds, and cash alternatives — react differently in volatile markets, the actual mix of assets in your portfolio (known as your asset allocation) may not match the mix you want based on your age and risk tolerance. Rebalancing is the process of bringing your portfolio back in line with your desired asset allocation.⁴

Market volatility can be unsettling, but don't let it throw you off track. By staying informed and sticking to your strategy, you can be better prepared to outlast any market uncertainty.

1 USA Today, "It's damage assessment time for 401(k) investors," April 17, 2020.

2 CNBC, "Stock market live Monday: Amazon leads market higher, Nasdaq up 20% for year, Nikola shares tank," July 21, 2020.

3 Investing involves risk, including possible loss of principal.

4 Asset allocation, diversification, dollar-cost averaging and/or rebalancing do not ensure a profit or protect against loss.



Carefully consider the investment option's objectives, risks, fees and expenses. Contact Empower Retirement for a prospectus, summary prospectus for SEC registered products or disclosure document for unregistered products, if available, containing this information. Read each carefully before investing.

You could lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at \$1 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect the sponsor to provide financial support to the fund at any time.

Transaction requests received in good order after the close of the New York Stock Exchange will be processed the next business day.

Foreign securities involve risks, such as currency fluctuations, economic changes and political developments. These risks may be heightened in emerging markets, which may also experience liquidity risk.

Securities of small and mid-size companies may be more volatile than those of larger, more established companies.

A stable value fund is not federally guaranteed and has interest rate, inflation and credit risks. Guarantees are subject to the terms and conditions of the group annuity contract or funding agreement and the claims-paying ability of the insurer.

Asset allocation and balanced investment options and models are subject to the risks of their underlying investments.

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